

ORIGINAL

OPEN MEETING

MEMORANDUM



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Arizona Corporation Commission

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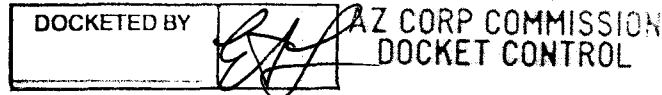
TO: THE COMMISSION

FEB 11 2015

2015 FEB 11 P 2:24

FROM: Utilities Division

DATE: February 11, 2015



RE: IN THE MATTER OF THE JOINT APPLICATION OF UNS ELECTRIC, INC., AN ARIZONA CORPORATION AND MOHAVE ELECTRIC COOPERATIVE, INCORPORATED FOR AN ORDER APPROVING A BORDERLINE AGREEMENT (DOCKET NOS. E-01750A-14-0394 AND E-04204A-14-0394)

On November 24, 2014, UNS Electric, Inc. ("UNS") and Mohave Electric Cooperative Incorporated ("MEC") (jointly "Applicants") filed a joint application for Commission approval of a Borderline Agreement between the Applicants. Mohave Sunrise Solar 1, LLC ("Mohave Sunrise") is constructing a 5 MW solar facility within UNS's certificated service territory, but MEC has entered into a purchased power agreement ("PPA") to acquire the output from the facility. MEC provided Staff with a copy of the interconnection agreement and PPA with Mohave Sunrise under the terms of a confidentiality agreement. Mohave Solar has provided a letter indicating that it supports the proposed borderline agreement.

Mohave Sunrise's location is within UNS's service territory but is very close to MEC's service territory. The property in question is approximately 34 acres in size. MEC would need an approximately 1,300 foot line to reach Mohave Solar's parcel. UNS has indicated that it has power on the boundary of Mohave Solar's parcel. The project entails 17,520 fixed tilt photovoltaic modules. The cost for MEC to interconnect with Mohave Sunrise is approximately \$90,000 and Mohave Sunrise has committed to pay the cost of this interconnection as part of the terms of the PPA with MEC. MEC has an option to buy the facility under terms contained in the PPA.

The likely alternative to the borderline agreement would be an interconnection to UNS, with the renewable energy being wheeled across UNS's system to MEC. While UNS has not conducted a detailed analysis of the cost of interconnecting with Mohave Sunrise and wheeling the power from Mohave Sunrise to MEC, UNS has indicated to Staff that it expects the cost would be in excess of the \$90,000 cost of the MEC interconnection. If Mohave Sunrise were to interconnect to UNS, it would be required to pay these wheeling charges to deliver the power to MEC. The combination of a higher up-front cost and the on-going cost of wheeling across the UNS system indicates that the MEC interconnection is the lower cost option for Mohave to provide power under the PPA to MEC.

Under the Borderline Agreement, UNS reserves the right to provide service to the facility after MEC provides notice of its intent to permanently cease taking power from the facility.

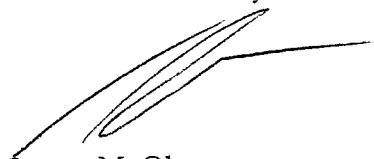
Under MEC's Renewable Energy and Standard tariff ("REST") plan, a distributed generation project up to 5 MW has been funded since 2011. This project would meet that aspect of

MEC's REST plan. MEC has indicated that the interconnection would provide power from the facility directly into MEC's distribution system. If MEC were to have to wheel Mohave Solar's power through UNS's transmission system to MEC, this could complicate any efforts MEC might undertake to consider this to be distributed generation under the Commission's REST rules.

The primary purpose of MEC's interconnection with Mohave Solar is to receive the renewable energy from Mohave Solar under the PPA. A borderline agreement is not necessary for MEC to take power from the facility. However, MEC will also be providing a small amount of load to the site, estimated to be 432 kWh per month, representing a small heater, weather station and a few other small loads. Absent the borderline agreement, Mohave Solar would have to interconnect with UNS to take service for this load. UNS has indicated that an interconnection for serving the load would cost approximately \$4,500. The borderline agreement allows this interconnection cost with UNS to be avoided. Additionally, it is less administratively burdensome to deal with one utility for both the power purchase and serving the load, rather than two utilities.

Under the borderline agreement, the estimated 432 kWhs of load would be netted against the kWhs being provided by Mohave Solar to MEC. Staff believes that it would be more appropriate to bill the parasitic load to Mohave Solar separately under the appropriate retail rate, which MEC has indicated would be its Small Commercial Service - Energy ("SCS-E") tariff. If billed under this tariff, MEC estimates that it would charge Mohave Solar approximately \$66.15 excluding adders and taxes. By comparison, if UNS provided service for the 432 kWh monthly load on its Small General Service ("SGS-10") tariff, UNS estimates it would charge the customer \$54.17, excluding adders and taxes. Letting the customer net their electric bill with the power they provide MEC would in essence provide them with discounted service in comparison to the tariffed rate other small load commercial customers would pay. There is also the potential for confusion in accounting for production from Mohave Solar and the related Renewable Energy Credits if some renewable energy is netted against use on the site.

In summary, Staff believes that the borderline agreement is reasonable and recommends approval by the Commission. Staff further recommends that MEC bill Mohave Solar at the applicable tariffed rate for the kWh consumption for the on-site uses identified herein and other similar uses that may arise in the future.



Steven M. Olea
Director
Utilities Division

SMO:RRG:sms\WVC

ORIGINATOR: Bob Gray

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 SUSAN BITTER SMITH

Chairman

3 BOB STUMP

Commissioner

4 BOB BURNS

Commissioner

5 DOUG LITTLE

Commissioner

6 TOM FORESE

Commissioner

7
8 IN THE MATTER OF THE JOINT
9 APPLICATION OF UNS ELECTRIC INC.,
10 AN ARIZONA CORPORATION AND
11 MOHAVE ELECTRIC COOPERATIVE,
12 INCORPORATED FOR AN ORDER
13 APPROVING A BORDERLINE
14 AGREEMENT.

DOCKET NO. E-01750A-14-0394,

E-04204A-14-0394

DECISION NO. _____

ORDER

13 March 2 and 3, 2015

14 Phoenix, Arizona

15 BY THE COMMISSION:

16 FINDINGS OF FACT

17 1. Mohave Electric Cooperative, Incorporated ("MEC") is engaged in providing electric
18 service within portions of Arizona, pursuant to authority granted by the Arizona Corporation
19 Commission ("Commission").

20 2. UNS Electric, Inc. ("UNS") is engaged in providing electric service within portions of
21 Arizona, pursuant to authority granted by the Arizona Corporation Commission ("Commission").

22 3. On November 24, 2014, UNS and MEC filed a joint application for Commission
23 approval of a Borderline Agreement between the applicants.

24 4. Mohave Sunrise Solar 1, LLC ("Mohave Sunrise") is constructing a 5 MW solar facility
25 within UNS's certificated service territory, but MEC has entered into a purchased power agreement
26 ("PPA") to acquire the output from the facility. MEC provided Staff with a copy of the
27 interconnection agreement and PPA with Mohave Sunrise under the terms of a confidentiality
28 agreement. Mohave Solar has provided a letter indicating that it supports the proposed borderline
agreement.

1 5. Mohave Sunrise's location is within UNS's service territory but is very close to MEC's
2 service territory. The property in question is approximately 34 acres in size.

3 6. MEC would need an approximately 1,300 foot line to reach Mohave Solar's parcel.
4 UNS has indicated that it has power on the boundary of Mohave Solar's parcel. The project entails
5 17,520 fixed tilt photovoltaic modules.

6 7. The cost for MEC to interconnect with Mohave Sunrise is approximately \$90,000 and
7 Mohave Sunrise has committed to pay the cost of this interconnection as part of the terms of the PPA
8 with MEC. MEC has an option to buy the facility under terms contained in the PPA.

9 8. The likely alternative to the borderline agreement would be an interconnection to
10 UNS, with the renewable energy being wheeled across UNS's system to MEC.

11 9. While UNS has not conducted a detailed analysis of the cost of interconnecting with
12 Mohave Sunrise to wheel the power from Mohave Sunrise and wheeling the power from Mohave
13 Sunrise to MEC, UNS has indicated to Staff that it expects the cost would be in excess of the \$90,000
14 cost of the MEC interconnection. If Mohave Sunrise were to interconnect to UNS, it would be
15 required to pay these wheeling charges to deliver the power to MEC. The combination of a higher
16 up-front cost and the on-going cost of wheeling across the UNS system indicates that the MEC
17 interconnection is the lower cost option for Mohave to provide power under the PPA to MEC.

18 10. Under the Borderline Agreement, UNS reserves the right to provide service to the
19 facility after MEC provides notice of its intent to permanently cease taking power from the facility.

20 11. Under MEC's Renewable Energy and Standard tariff ("REST") plan, a distributed
21 generation project up to 5 MW has been funded since 2011. This project would meet that aspect of
22 MEC's REST plan.

23 12. MEC has indicated that the interconnection would provide power from the facility
24 directly into MEC's distribution system. If MEC were to have to wheel Mohave Solar's power
25 through UNS's transmission system to MEC, this could complicate any efforts MEC might undertake
26 to consider this to be distributed generation under the Commission's REST rules.

27 ...

28 ...

1 13. The primary purpose of MEC's interconnection with Mohave Solar is to receive the
2 renewable energy from Mohave Solar under the PPA. A borderline agreement is not necessary for
3 MEC to take power from the facility.

4 14. However, MEC will also be providing a small amount of load to the site, estimated to
5 be 432 kWh per month, representing a small heater, weather station and a few other small loads.
6 Absent the borderline agreement, Mohave Solar would have to interconnect with UNS to take service
7 for this load. UNS has indicated that an interconnection for serving the load would cost
8 approximately \$4,500. The borderline agreement allows this interconnection cost with UNS to be
9 avoided.

10 15. Additionally, it is less administratively burdensome to deal with one utility for both the
11 power purchase and serving the load, rather than two utilities.

12 16. Under the borderline agreement the estimated 432 kWhs of load would be netted
13 against the kWhs being provided by Mohave Solar to MEC. Staff believes that it would be more
14 appropriate to bill the parasitic load to Mohave Solar separately under the appropriate retail rate,
15 which MEC has indicated would be its Small Commercial Service – Energy ("SCS-E") tariff. If billed
16 under this tariff MEC estimates that it would charge Mohave Solar approximately \$66.15 excluding
17 adders and taxes.

18 17. By comparison, if UNS provided service for the 432 kWh monthly load on its Small
19 General Service ("SGS-10") tariff, UNS estimates it would charge the customer \$54.17, excluding
20 adders and taxes. Letting the customer net their electric bill with the power they provide MEC would
21 in essence provide them with discounted service in comparison to the tariffed rate other small load
22 commercial customers would pay. There is also the potential for confusion in accounting for
23 production from Mohave Solar and the related Renewable Energy Credits if some renewable energy is
24 netted against use on the site.

25 18. In summary, Staff believes that the borderline agreement is reasonable and
26 recommended approval by the Commission.

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CONCLUSIONS OF LAW

3. The Commission, having reviewed the filing and Staff's Memorandum dated February 11, 2015, concludes that it is in the public interest to approve the borderline agreement between Mohave Electric Cooperative and UNS Electric Inc., subject to the condition discussed herein.

ORDER

IT IS THEREFORE ORDERED that the borderline agreement between Mohave Electric Cooperative and UNS Electric Inc. be and hereby is approved as discussed herein.

IT IS FURTHER ORDERED that Mohave Electric Cooperative bill Mohave Solar at the applicable tariffed rate for the kWh consumption for the on-site uses identified herein and other similar uses that may arise in the future.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN

COMMISSIONER

COMMISSIONER

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I, JODI JERICH, Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this _____ day of _____, 2015.

JODI JERICH
EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

SMO:RGG:sms/WVC

Decision No. _____

1 SERVICE LIST FOR: MOHAVE ELECTRIC COOPERATIVE AND UNS ELECTRIC, INC.
2 DOCKET NOS. E-01750A-14-0394 and E-04204A-14-0394

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